

201 South Grand Avenue East
Springfield, Illinois 62763-0002

Telephone: (217) 782-1200
TTY: (800) 526-5812

**TESTIMONY BEFORE U.S. HOUSE SUBCOMMITTEE ON
HEALTH CARE, DISTRICT OF COLUMBIA, CENSUS AND NATIONAL ARCHIVES**

September 21, 2011

Thank you for inviting me to testify before this Subcommittee. I am Julie Hamos, the Director of the Illinois Department of Healthcare and Family Services, which, among other responsibilities, manages one of the largest Medicaid Programs in the nation. Illinois serves 2.7 million clients through Medicaid and SCHIP, at an overall program cost of \$16.6 billion.

You have asked us to comment on eligibility policies for Medicaid long-term care. This is a most propitious time for us to be discussing this, as we are tackling this exact issue in Illinois. As a new director of HFS last April, I learned that Illinois' previous administration had not yet implemented the federal DRA that passed in 2006.

Accordingly, we set to work to create rules involving Medicaid eligibility for nursing homes – rules that incorporate the DRA, but also, as authorized by federal law, to attempt to close loopholes that had been discovered by our colleagues in other states. Some of those loopholes are spelled out in the paper on the New York Medicaid Program written by the Center on Long Term Care.

I have to be honest in telling you that it is a struggle to convince our legislative rule-making committee to adopt these rules. This is not a Democratic problem, nor a Republican problem – it is a bipartisan acceptance of so-called "Medicaid planning" practices that allow people to divest their assets in order to qualify for Medicaid nursing homes. The paper articulates the problem: there is no stigma attached to this practice – to the detriment of the most low-income and vulnerable people who need our scarce Medicaid dollars even more. We agree with you that it is our responsibility to eliminate any abuse of the Medicaid Program.

Today, I would like to discuss two additional long-term care issues that have the potential to drive down the costs of Medicaid. Of our 2.7 million clients, 14% are seniors and adults with

disabilities, yet these 14% of Medicaid clients incur 54% of our costs. Many of these same clients are also expensive dually-eligible Medicare clients. While we are fully committed to providing for their care – and most need some form of long-term care -- these clients are a major focus for service reform. Illinois historically has had an institutional bias, building up state-operated institutions and nursing home beds. We have overbuilt nursing homes with 15,000 empty beds today, and underfinanced home and community based services. We spend at least three times as much for a nursing home stay than for the limited set of in-home services we offer to seniors. We will achieve Medicaid savings – and promote a higher quality of life for seniors and the disabled who would prefer to stay at home – by rebalancing our long-term care system to shift from nursing homes to investments in home and community-based services.

In addition, many healthcare services are fragmented and result in unnecessary and wasteful hospitalizations, with a revolving door of admissions and readmissions to acute care hospitals, to psych wards of hospitals and to free-standing psychiatric hospitals. In order to drive down these costs, Medicaid must – in conjunction with Medicare for those who are dually-eligible – provide care coordination for these most complex and expensive clients with chronic health and behavioral health needs, with the goal of keeping them stable and healthier, not in hospitals but in community-based long-term care.

Let me conclude by relaying that the Affordable Care Act is sparking an era of innovation in the healthcare delivery system. Federal CMS is offering incentives and guidance, almost daily, to encourage us to offer coordinated services that focus on quality care and health outcomes, in home- and community-based settings, that will ultimately result in cost savings for Medicaid as well as Medicare.

I urge you to maintain the federal funding for state Medicaid programs and funding for these federal demonstrations, waivers, innovations and policy strategies. They present an opportunity to truly transform the Medicaid Program into a more effective and efficient healthcare system.

Julie Hamos, Director, Department of Healthcare and Family Services, Julie.hamos@illinois.gov